

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 01-92
Developing a Unified Intercarrier	)	
Compensation Regime	)	

**REPLY COMMENTS OF VERIZON WIRELESS**

**VERIZON WIRELESS**

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## SUMMARY

The comments submitted in this docket demonstrate that the current calling party network pays (“CPNP”) system is in need of reform. In its place, the Commission should apply a unified set of principles to all traffic, regardless of whether it originates and terminates on wireline or wireless networks. Although long-term reform is important, the Commission should immediately clarify certain numbering issues that have been outstanding for several years, affirm the application of the MTA rule to traffic that originates and terminates on commercial mobile radio service (“CMRS”) networks, and confirm that indirect interconnection is a lawful alternative to direct connection.

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Verizon Wireless respectfully submits these reply comments in response to the *Further Notice of Proposed Rulemaking* (“*FNPRM*”)<sup>1</sup> in this docket. The comments submitted in this docket demonstrate that the current calling party network pays (“CPNP”) system is in need of reform, and that the Commission should apply a unified set of principles to all traffic, regardless of whether it originates and terminates on wireline or wireless networks. While the Commission considers whether to overhaul the current system of inter-carrier compensation, it should clarify certain numbering issues that have been outstanding for several years, affirm the application of the MTA rule to traffic that originates and terminates on commercial mobile radio service (“CMRS”) networks, and confirm that indirect interconnection is a lawful alternative to direct connection.

**I. THE COMMENTS DEMONSTRATE THAT REFORM IS NEEDED.**

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<sup>1</sup> Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92, FCC No. 05-33, *Further Notice of Proposed Rulemaking* (rel. March 3, 2005).

Several commenters agree that the current CPNP system is badly in need of reform. For example, as Sprint sets forth in its comments, the CPNP system is broken because it results in several different inefficiencies, including costs associated with billing and verification, contract negotiation, arbitration, litigation, and cost shifting.<sup>2</sup> The Intercarrier Compensation Forum (“ICF”) agrees that CPNP is no longer appropriate or workable because in a world of rapidly advancing technology, identifying the calling party’s network and the location of the called and calling party is becoming increasingly difficult.<sup>3</sup> SBC notes that the deficiency with many of the plans that are before the Commission is that they are variations on CPNP that require retaining termination charges,<sup>4</sup> which will perpetuate regulation and constant litigation.<sup>5</sup>

Parties that support retaining the CPNP system characterize the debate as between CPNP on the one hand and bill-and-keep on the other. NASUCA, for instance, states that the current CPNP system acknowledges that the calling party causes the call to occur, and that requiring the calling party’s network to pay the called party’s carrier for use of the terminating network makes more sense than bill-and-keep.<sup>6</sup> Likewise, the Public Utilities Commission of Ohio states that CPNP more fairly allocates costs than bill-

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<sup>2</sup> Sprint at 3-8.

<sup>3</sup> ICF at 56-57.

<sup>4</sup> SBC at 10.

<sup>5</sup> *Id.* at 13.

<sup>6</sup> NASUCA at 26.

and-keep.<sup>7</sup> Other states assert that CPNP more fairly allocates costs to the party that initiates calls and uses network resources, and that bill-and-keep allows carriers to game the system.<sup>8</sup> Yet, CPNP and bill-and-keep are not the only alternatives as the Commission seeks to determine the appropriate inter-carrier compensation regime.<sup>9</sup>

The claims some commenters make about “phantom traffic” both mischaracterize the nature of the issue and demonstrate the flaws of the CPNP system. These parties urge the Commission to take action to prevent “phantom” traffic problems, which they characterize as traffic that is terminating on RLECs’ network from an unidentified source.<sup>10</sup> For example, TDS proposes a series of measures to counteract “phantom traffic” issues such as truth-in-billing guidelines that make it unlawful to alter, exclude, or strip carrier and call identifying information; processes for challenging suspect traffic and penalizing responsible carriers; permitting inaccurately labeled traffic to be billed at highest applicable rate; and blocking of inaccurately labeled traffic.<sup>11</sup> Other carriers urge the Commission to make it

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<sup>7</sup> Public Utilities Commission of Ohio at 17.

<sup>8</sup> Missouri Public Service Commission at 10; South Dakota Public Utilities Commission at 5-6.

<sup>9</sup> See Small Business Association at 7-9, 11-13 (Commission should consider other alternatives to bill-and-keep and CPNP).

<sup>10</sup> See, e.g., Comments of GVNW Consulting, Inc. at 27; South Dakota PUC at 8.

<sup>11</sup> TDS at 11-12; *see also* Colorado Telecom Association, Oregon Telecom Association, and the Washington Independent Telephone Association at 18 (FCC should limit phantom traffic by requiring originating carriers to provide complete information with calls and requiring transit carriers to pass the

illegal to strip or alter the billing information associated with a call to mask the nature of the call.<sup>12</sup> The National Telephone Cooperative Association (“NTCA”) proposes that the Commission should consider making the Jurisdiction Information Parameter (“JIP”) in Signaling System 7 mandatory and requiring all unlabeled traffic to be billed to the carrier at the other end of the trunk group on which the traffic arrives as access traffic.<sup>13</sup>

Contrary to the claims of some rural LECs,<sup>14</sup> call-identifying information is sometimes not passed to the terminating carrier for legitimate reasons. For example, under today’s industry standards for signaling, a carrier identification code (“CIC”) is only contained in signaling when a call is sent to an interexchange carrier (“IXC”) and via a LEC tandem. The CIC provides information to the LEC tandem that allows it to send the call to the appropriate IXC. At that point, the CIC is dropped from the signaling because the call has already been routed to the appropriate carrier. Local traffic that originates via a Type 2A or Feature Group C trunk group and routes through a third-party LEC tandem does not contain a CIC code

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information to the terminating carrier, allowing carriers to block calls without call-identifying information, and allowing terminating carriers to bill the transiting carrier for such traffic).

<sup>12</sup> GVNW at 27; Interstate at 15, 18; RIITA at 16; Montana LECs at 15; ITA at 3; California LECs at 9-10; TCA at 3-4; Alexicon at 6; WTA at 5; Beehive at 3-4.

<sup>13</sup> NTCA at 53.

<sup>14</sup> See Letter of Karen Brinkman, Latham & Watkins, to Marlene H. Dortch, Secretary, WC Docket No. 01-92 (July 1, 2005).

either. In both of these cases, terminating carriers do not receive the CIC, but not because carriers are attempting to hide traffic or make it harder to bill.

In any event, even if carriers populated the CIC, it is unlikely to result in any benefit. Typically rural LECs have a single trunk group between the rural LEC end office switch and the LEC tandem, and this trunk group receives both IXC access traffic as well as local traffic. The only way for rural LECs to measure and bill this traffic is to rely on traffic reports from the third-party tandem provider. The problem is further exacerbated when there are multiple tandems involved. If a call is routed through an intermediate tandem before it gets to the final tandem, the first LEC tandem owner is likely to have no direct relationship with the rural LEC, and the second LEC tandem owner will not have information as to which carrier sent the traffic to the first tandem.<sup>15</sup>

Codifying the JIP is also not a solution to the rural carriers' claimed inability to bill for traffic. As currently designed, the JIP provides the identity of the originating wireless switch. Certain wireline carriers have proposed to expand the JIP to identify traffic at the originating cell site, but in addition to being extremely difficult and costly to implement, cell sites can

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<sup>15</sup> Rural companies contribute to the problem when they develop consortiums to purchase their own tandems.



serve territories that cross MTA boundaries, thereby limiting the relevance of the cell site to determine jurisdiction of calls.<sup>16</sup>

Carriers should build their own billing systems, pay for a third party's call detail records to bill, negotiate surrogate methods for billing such as traffic factors, or suffer the consequences of not having the ability to bill for traffic. Carriers that seek to force other carriers such as tandem operators to provide enhanced traffic measurements should compensate those providers for this functionality and the system upgrades needed to pass all call detail record information.

As these complaints about “phantom traffic” demonstrate, the Commission's inter-carrier compensation regime will always be flawed as long as it depends in part on the need for geographically sensitive traffic measurement systems. Rather than adopting invasive regulatory requirements to support a system that relies on factors that will be increasingly difficult to measure such as the calling and called parties' location, the Commission should adopt a unified system that depends as little as possible on the availability of this information.

## **II. THE COMMISSION SHOULD GRANT THE SPRINT AND ASAP PAGING PETITIONS.**

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<sup>16</sup> Another problem with attempting to use JIP as a jurisdictional indicator for billing is that the originating carrier populates the JIP, and it remains the same regardless of where the call is routed. If LECs relied on the JIP, they would lose the ability to bill access because they would have no indication from the JIP that the call had transited an IXC network.

Verizon Wireless agrees with comments that urge the Commission to act on certain numbering issues regardless of whether it adopts prospective inter-carrier compensation reform.<sup>17</sup> This includes granting the petitions filed by Sprint and ASAP Paging.

Many commenters agree that the Commission should grant the petition filed by Sprint that asks the Commission to clarify that LECs must honor the rating and routing points designated by CMRS carriers, and that rating and routing points may be different.<sup>18</sup> The parties opposing the Sprint Petition in essence want rural LEC customers to pay toll to reach CMRS customers,<sup>19</sup> even when those CMRS customers regularly work and live within the same local calling area. Alternatively, these parties suggest that CMRS carriers should pay to transport traffic to and from the rural LECs' serving territory.<sup>20</sup> The Commission should reject these arguments, as they perpetuate the inequities that rural carriers have repeatedly sought to impose on CMRS carriers.

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<sup>17</sup> See ASAP Paging, Inc. at 1 (Commission should resolve issues under the current rules without holding them hostage to prospective inter-carrier compensation reform).

<sup>18</sup> Allied at 3-5; Dobson at 5-7; T-Mobile at 36-39; CTIA at 29; U.S. Cellular at 15-16; Western Wireless at 36-37.

<sup>19</sup> Rural Alliance at 133-35 (claiming that wireless carriers seek to shift costs to wireline customers).

<sup>20</sup> NTCA at 48-9; USTA at 33-34 (where rating and routing points differ, providers obtaining an NPA-NXX in an ILEC rate center must designate a point of presence in the ILECs' service area).

Verizon Wireless agrees with CTIA that the Commission should resolve whether originating LECs have the obligation to treat intraMTA calls that originate on their networks as local calls.<sup>21</sup> Consistent with the Commission's dialing parity rule, 47 C.F.R. § 51.207, the Commission should grant the Sprint petition and declare it unlawful for carriers to refuse to recognize numbers as local where a carrier designates a code regardless of how calls to that code are routed.<sup>22</sup> Customers do not expect to pay toll for calls to mobile customers with local numbers who are down the street. Not only do RLECs propose to collect toll from their customers and diminish the value of CMRS service, if they refuse to recognize these calls as local, they also generate access revenues and avoid paying reciprocal compensation for intraMTA traffic their customers originate. Unless the Commission grants the Sprint Petition, wireless carriers will continue to be forced to duplicate LEC legacy networks at enormous expense or allow rural LECs to treat local calls as toll calls.<sup>23</sup> This RLEC practice is inconsistent with the Commission's rules and contrary to the public interest,<sup>24</sup> and it is also anti-competitive, inefficient, and bad for consumers.

With respect to ASAP Paging's petition, Verizon Wireless urges the Commission to find pursuant to its dialing parity rule, 47 C.F.R. § 51.207, that wireline carriers may not exclude wireless NPA-NXXs rated in the same

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<sup>21</sup> See CTIA at 30-31.

<sup>22</sup> See Nextel Partners at 14-18.

<sup>23</sup> See, e.g., T-Mobile at 38-39.

<sup>24</sup> *Id.*

areas from any extended area local calling (“EAS” or “ELCS”) plans. As in the case that gave rise to the Sprint petition, customers expect calls to these areas to be local, and in order for CMRS carriers to offer service that imposes no toll charge just as the rural LECs do in these rural areas, the Commission must find that CMRS codes are accorded the same treatment as wireline codes.

### **III. UNLESS THE COMMISSION REFORMS CPNP, THE COMMISSION SHOULD AFFIRM THE MTA RULE.**

The MTA rule today defines whether reciprocal compensation or access charges apply to traffic between LECs and CMRS providers. KMC Telecom is correct that unification of rates would eliminate the need for the MTA rule.<sup>25</sup> Although many commenters appear to support unification, however, some wrongly suggest that unification can occur without completely integrating the reciprocal compensation and access regimes. For example, TDS believes that inter-carrier rates should be unified but that structural differences between reciprocal compensation and access regimes should be preserved.<sup>26</sup> Without unification of both access and reciprocal compensation rates and structures, the MTA rule will continue to be relevant.

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<sup>25</sup> KMC Telecom at 60; *see also* U.S. Cellular at 14 (intraMTA rule should be retained, at least during the transition to bill-and-keep).

<sup>26</sup> TDS at 18; *see also* Eastern Rural Telecom. Association at 2.

Because a number of LECs continue to refuse to recognize the MTA rule,<sup>27</sup> the wireless commenters ask the Commission to affirm the MTA rule.<sup>28</sup> A number of commenters disagree, asking the FCC to eliminate the MTA rule.<sup>29</sup> USTA urges the FCC to eliminate the MTA rule because it treats wireless carriers differently from other carriers.<sup>30</sup> There is also disagreement about what the MTA rule means. JSI argues that the MTA rule does not apply to landline-originated calls that must be handed off to a presubscribed IXC.<sup>31</sup> Nextel Partners, on the other hand, states that exemption of IXC-routed calls from reciprocal compensation would result in CMRS carriers' costs being uncompensated.<sup>32</sup>

Abandoning the MTA rule, which has played a major role in the success of the wireless industry, would have a significant negative effect on wireless customers and carriers.<sup>33</sup> USTA is correct that the MTA treats wireless carriers differently from wireline carriers, but this is because wireless carriers *are* different from wireline carriers in a number of important ways. As the FCC acknowledged when it originally adopted the rule, CMRS providers' license areas are established under federal rules, and

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<sup>27</sup> Allied at 7-8; CTIA at 18-19; Dobson at 15; MetroPCS at 22-24; and Western Wireless at 30-31.

<sup>28</sup> *See, e.g.*, Nextel at 6-7; United States Cellular at 15.

<sup>29</sup> California Small LECs at 6; GVNW at 47; Qwest at 54; Rural Alliance at 126-30; USTA at 48.

<sup>30</sup> USTA at 47-49.

<sup>31</sup> John Staurulakis, Inc. at 25 ("JSI").

<sup>32</sup> Nextel Partners at 12.

<sup>33</sup> MetroPCS at 23.

in many cases are larger than ILEC local service areas.<sup>34</sup> Mobility is inherent in the service, thus making the scope of what is “local” difficult to define<sup>35</sup> and broader to the wireless customer than the wireline customer. Wireless carriers also often have more diverse and efficient network architectures than LECs. Requiring wireless carriers to recreate legacy landline networks is inefficient and inappropriate.

Confining the definition of CMRS “local” traffic to LEC local calling areas would be bad public policy for borderless wireless service. The MTA rule was a reasonable compromise when the Commission adopted it in 1996, and nothing has changed to justify changing it. If the FCC eliminates the MTA rule under the current inter-carrier compensation regime, however, it should revisit the issue of the absence of a rule for wireless carriers to collect terminating access charges and whether wireless carriers can file access tariffs.<sup>36</sup>

#### **IV. THE STATUTE CLEARLY ALLOWS WIRELESS CARRIERS TO CONNECT INDIRECTLY.**

Rural LECs believe that they should be permitted to require direct connection in their local service territories.<sup>37</sup> Others agree and suggest that there should be special rules for rural carriers. For example, the Iowa

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<sup>34</sup> Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, *First Report and Order*, 11 FCC Rcd 15499, ¶ 1043 (1996), subsequent history omitted.

<sup>35</sup> *Id.* ¶ 1044.

<sup>36</sup> MetroPCS at 23-24.

<sup>37</sup> Comporium at 16; ERTA at 3; GVNW at 26; Montana LECs at 9-10; RIITA at 19; TDS at 28; and WTA at 4.

Utilities Board urges the Commission to require interconnection at a tandem switch for non-rural exchanges and at a central office for rural exchanges.<sup>38</sup> The National Telephone Cooperative Association states that there should be separate interconnection rules for RLECs pursuant to which connecting carriers must pay for transport that is beyond the boundaries of the RLECs' local calling area.<sup>39</sup> JSI argues that RLECs do not have an obligation under Section 251(c)(2) to route to an out-of-service area point of interconnection, and that Section 251(a) could not require such points of interconnection.<sup>40</sup>

Although CMRS carriers own and operate CMRS facilities in rural areas, they do not always have interconnection facilities there because low volumes of traffic would make such direct interconnection inefficient. Section 251(a) of the Act specifically allows this, requiring LECs to permit indirect interconnection.<sup>41</sup> Requiring competitors to interconnect in every local calling area would be inefficient and have a negative effect on the wireless industry.<sup>42</sup> The Commission should thus affirm that wireless carriers are not required to connect directly with rural LECs.

## CONCLUSION

For the foregoing reasons, Verizon Wireless urges the Commission to find that the existing CPNP system is in need of reform, and to adopt a

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<sup>38</sup> Iowa Utilities Board at 3.

<sup>39</sup> NTCA at 44-47.

<sup>40</sup> JSI at 16-17.

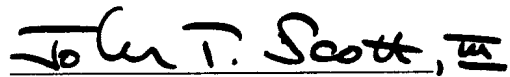
<sup>41</sup> *See* 47 U.S.C. § 251(a); *cf.* 47 C.F.R. § 51.703(b) (rules apply equally to direct and indirect traffic); Nextel at 15-17.

<sup>42</sup> MetroPCS at 19.

unified set of principles that will apply to all traffic, regardless of whether it originates and terminates on wireline or wireless networks. The Commission should also clarify certain numbering issues that have been outstanding for a number of years, affirm the application of the MTA rule, and confirm that indirect interconnection is a lawful alternative to direct connection.

Respectfully submitted,

VERIZON WIRELESS

A handwritten signature in black ink that reads "John T. Scott, III". The signature is written in a cursive style with a horizontal line underneath the name.

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